

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 515 – SB 657

April 10, 2013

SUMMARY OF ORIGINAL BILL: Defines “milledam” as a dam built across a stream to raise its level sufficiently to provide water power for turning a mill wheel, for purposes of the prohibition on county legislative bodies from permitting a milledam to be so constructed as to interrupt the navigation of streams.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (006198): Deletes all language after the enacting clause. Requires the Department of Transportation (TDOT) to award any contract for administration of special service signs to the contractor whose proposal offers the best value for the state, rather than the least cost to the retail user of the signs. Deletes the current lease payment and royalty payment provisions. Establishes that, if TDOT elects to award advertising space based on a competitive selection process, the food service businesses qualified under this program as of July 1, 2001, will need to compete in a competitive selection process and may be replaced by any business that submits a more competitive proposal.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – Entering into contracts for administration of special service signs that offer the best value for the state, rather than the least cost to the retail user of the signs is expected to result in a recurring increase in state revenue to the Highway Fund. Such recurring increase is estimated to exceed \$100,000 in FY14-15 and \$200,000 in FY15-16 and each subsequent year.

Assumptions for the bill as amended:

- TDOT’s current contract for administration of special service signs will end on December 31, 2014. TDOT will not terminate this contract early.

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- Retail businesses currently pay an annual fee of \$527 to participate in the Tennessee Logo Sign Program. This fee is substantially higher in the neighboring states (Kentucky: \$1,200 for gas/food/lodging businesses and \$600 for camping/attraction; Mississippi: \$2,400 on high volume interchanges and \$1,600 on standard volume interchanges; Georgia: \$1,500; South Carolina: from \$1,800 to \$5,000; Virginia: \$2,000 on high volume interchanges and \$1,600 on standard volume interchanges, etc).
- TDOT currently receives from its contractor quarterly payments of \$190,000 plus annual royalty payments of six percent on the difference between the contractor's accrued gross revenues.
- In FY11-12, TDOT has received a total of \$777,685 from the contractor (\$760,000 in quarterly payments and \$17,685 in royalty payments).
- This bill as amended will allow TDOT to enter into contracts that will offer the best value for the state, rather than the least cost to the retail user of the signs. As a result, any contracts that TDOT enters into after December 31, 2014, for administration of special service signs are expected to result in a recurring increase in state revenue to the Highway Fund. Determining the exact amount of such increase is difficult due to many unknown factors, such as the annual fee charged for participation in the program, TDOT's share of gross revenue, and the number of businesses participating in the program, but is reasonably estimated to exceed \$100,000 in FY14-15 and exceed \$200,000 in FY15-16 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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